

FLUID MINERALS BOND PROCESSING USER GUIDE

X Oil and Gas Exploration BondsKeywordsA General

This User Guide addresses bonds submitted for geophysical exploration operations pursuant to 43 CFR Part 3150. Bonds for statewide/nationwide exploration operations (see Illustration 2) are handled by SO Fluid Lease Adjudication Bonds for single exploration operations are handled by the Field Office Fluid Mineral Operations personnel. Holders of individual, statewide, or nationwide lease bonds are allowed to conduct exploration operations on their leaseholds without separate bond coverage required. Holders of statewide and nationwide bonds wishing to conduct exploration operations on lands on which they do **not** hold a lease may either obtain a rider to their bond to include oil and gas exploration operations (see Illustration 37) or provide separate geophysical exploration bond coverage. Geophysical exploration on U.S. Forest Service (FS) lands is authorized in accordance with the FS Manual 2860 and 36 CFR 251, and is not covered in this User Guide.

EXPLORATION
BONDS

A lessee/operator wishing to perform geophysical exploration work on an oil and gas lease for which it holds the development rights, whether the surface is Federal or split estate (see Glossary of Terms, Handbook 3100-1), may do so under the terms of the lease by filing a Sundry Notices and Reports on Wells, Form 3160-5 (see 43 CFR 3162.3-3) and **either** an exploration bond **or** a lease bond. However, if a lease bond has not yet been provided for any other operations on the lease, the operator may choose to obtain an individual exploration bond if the lease lands are BLM-administered or are split estate, or if the surface management agency is the FS, the exploration bonding may be obtained in accordance with the FS procedures.

EXPLORATION
UNDER TERMS
OF LEASE

Geophysical exploration on leased public lands by a third party not holding an interest in the lease must be conducted under a Notice of Intent to Conduct Oil and Gas Exploration Operations (NOI) approved by the BLM, with the required exploration bond coverage provided by the third party. The third party does not need to obtain the lessee's permission, nor request the BLM to obtain the lessee's permission, to conduct exploration activities on the leased lands.

EXPLORATION BY
THIRD PARTY ON
LEASED LANDS

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| Responsible Official | Step | Action | Keywords |
|-------------------------|--|--|-----------------------------|
| | 3e. | Check that the amount of the bond is \$25,000 for a statewide exploration bond or \$50,000 for a nationwide exploration bond. | BOND AMOUNT ADEQUACY |
| | 3f. | Access the ABSS to determine if the surety is acceptable. | QUALIFIED SURETY |
| | 3g. | If the bond is unacceptable, return the bond to the principal by a decision indicating the defects. | UNACCEPTABLE BOND |
| | <u>NOTE:</u> Since the bond is not considered effective until it is accepted by the United States, imposing a time limit for correction of any defects is not appropriate. | | |
| | 3h. | If the bond is in order, prepare an acceptance decision (see Illustration 38), effective as of the later of the following dates: | BOND ACCEPTANCE DECISION |
| | | (1) Date the bond was properly filed; or | EFFECTIVE DATE OF BOND |
| | | (2) Effective date indicated on the bond. | |
| | 4. | Forward decision to signing official for signature. After the decision is signed, distribute to the principal and surety (c/o the attorney-in-fact). | |
| | 5. | Route for ABSS Entry. | |
| ABSS Entry | 6. | Enter Action Date: Date of decision showing bond accepted; DE 2960 Action Code 469; Action Remarks: Enter effective date of bond (MM/DD/YYYY). | AUTOMATED NOTATION |

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C. Accepting Individual Exploration Bonds

| Responsible Official | Step | Action | Keywords |
|---|------|--|--|
| Field Office Receiving Official | 1. | Receive and date/time stamp bond and forward to Field Office Applications Examiner/Land Law Examiner with the NOI. | |
| ABSS Entry ALMRS Entry | 2 | Enter the bond abstract in the ABSS and into Case Recordation. | AUTOMATED NOTATION |
| | 2a | Enter Action Date: Date bond filed; DE 2960 Action Code 468/DE 2910 Action Code 376; Action Remarks (Case Recordation): BLM bond number; General Remarks: Location for which bond is filed or NOI number. | |
| Adjudication/ Applications Examiner | 3. | Check the bond for the following: | |
| | 3a. | Bond is filed on the current BLM bond form (Form 3000-4a, June 1988 or later edition). | |
| | 3b. | Bond is properly executed by the principal, including the principal's corporate seal (if available) affixed to the bond form. The relationship of the signatory to the principal is to be shown either on the bond form itself or in an accompanying document. | EXECUTION BY PRINCIPAL/ CORPORATE SEAL |
| | 3c. | Bond is properly executed by an acceptable surety, with the seal of the corporate surety affixed to the bond form, accompanied by a POA showing proof of signing authority as the surety's representative on the date that the bond was executed (see Illustration 6). | |

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Keywords

Geophysical exploration on **unleased** public lands, the surface of which is administered by the BLM, requires approval by a NOI and bond coverage under the regulations at 43 CFR 3154.1. Such bond coverage is normally provided by a rider to an existing statewide or nationwide bond (see Illustration 37 and Section XI, below). Exploration bonds submitted pursuant to the regulations at 43 CFR 3154.1 are applicable **only** to geophysical exploration activities on those lands the surface of which is owned by the United States and administered by the Secretary of the Interior through the BLM.

EXPLORATION ON
UNLEASED LANDS

The geophysical exploration regulations at 43 CFR 3150.0-1 state, "The procedures of this part do not apply to: . . . (b) Operations conducted on private surface overlying public lands unless such operations are conducted by a lessee under the rights granted by the Federal oil and gas lease" (emphasis added). Therefore, exploration operations on **unleased** Federal minerals under private surface does **not** come under BLM jurisdiction. No NOI or geophysical exploration bond coverage is required on such lands even if the surface has been conveyed out of Federal ownership by a patent issued under the Stockraising Homestead Act (SRHA) of December 29, 1916, as amended, 43 U.S.C. 291-301 (1970). (See Gary Maughn, 105 IBLA 206 (1988) and the IBLA Order modifying this decision in part, dated December 14, 1989.)

EXPLORATION ON
PRIVATE SURFACE
OVERLYING BLM
PUBLIC LANDS

Permission to conduct geophysical exploration operations on **unleased** Federal minerals under private surface is required from the surface owner, and bonding arrangements are strictly a private matter between the parties involved. Geophysical exploration on **leased** Federal minerals under private surface by a third party not holding an interest in the lease also does not require an NOI or geophysical bond coverage under BLM provisions. Additional requirements for oil and gas geophysical exploration permitting and bonding may, however, be required from the State and/or county government.

EXPLORATION ON
LANDS PATENTED
UNDER THE
STOCK-RAISING
HOMESTEAD ACT

Federal oil and gas geophysical exploration bond forms used prior to Form 3000-4a are included in Appendices 16 and 17.

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B. Accepting Statewide/Nationwide Exploration Bonds

| Responsible Official | Step | Action | Keywords |
|-------------------------|------|--|---|
| Receiving Official | 1. | Receive and date/time stamp bond and forward to Adjudication. | |
| ABSS Entry | 2. | Enter the bond abstract into the ABSS following the procedures established in the ABSS User Guide. | AUTOMATED NOTATION |
| | 2a | Enter Action Date: Date bond filed; DE 2960 Action Code 468 | |
| Adjudication | 3. | Check the bond for the following: | |
| | | Bond is filed on the current bond form (Form 3000-4a, June 1988 or later edition). | |
| | 3b. | Bond is properly executed by the principal, including principal's corporate seal (if available) affixed to the bond form. The relationship of the signatory to the principal is to be shown either on the bond form itself or in an accompanying document. | EXECUTION BY PRINCIPAL/ CORPORATE SEAL |
| | | Bond is properly executed by an acceptable surety, with the seal of the corporate surety affixed to the bond form, accompanied by the POA showing proof of signing authority as the surety's representative on the date that the bond was executed (see Illustration 6). | EXECUTION BY SURETY/SURETY CORPORATE SEAL |
| | | | POWER OF ATTORNEY |
| | 3d. | If accepting a personal bond, see Section V, above. When the bond is a Treasury bill, note, or bond, follow the procedures in Section V.E, above, and coordinate the book-entry deposit procedures through the State Office Adjudication. | |

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| Responsible Official | Step | Action | Keywords |
|---|------|---|-----------------------------|
| | 3d. | If accepting a personal bond, see Section V, above. When the bond is a Treasury bill, note, or bond, follow the procedures in Section V.E, above, and coordinate the book-entry deposit procedures through the State Office Adjudication. | |
| | 3e | Check that the amount of the bond is not less than \$5,000. | |
| | 3f. | Access the ABSS to determine if the surety is acceptable. | QUALIFIED SURETY |
| | | If the bond is unacceptable, return the bond to the principal by a decision indicating the defects. | UNACCEPTABLE BOND |
| ABSS Entry ALMRS Entry | 5. | Enter Action Date: Date of decision declaring bond unacceptable; DE 2960 Action Code 470/DE 2910 Action Code 410; Action Remarks: EFF MM/DD/YYYY; General Remarks: Reason unacceptable (optional). | AUTOMATED NOTATION |
| Adjudication/ Applications Examiner | 6. | If bond is in order, prepare an acceptance decision (see Illustration 39 or 40) effective as of the later of the following dates: | BOND ACCEPTANCE DECISION |
| | 6a. | Date the bond was properly filed in the Field Office; or | EFFECTIVE DATE OF BOND |
| | 6b. | Effective date indicated on the bond. | |
| | 7 | Forward the decision to the signing official for signature. After the decision is signed, distribute it to the principal and surety (c/o attorney-in-fact). | |
| | 8. | If the bond filed in the Field Office is a personal bond, the collateral for the bond is to be handled as follows: | |

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| Responsible Official | Step | Action | Keywords |
|---------------------------|--|---|---|
| | 8a | If a cashier's check or certified check was provided, prepare an accounting advice to deposit and hold the funds in the Field Office until the bond is no longer required; or | |
| | 8b. | If an LOC or CD was provided, the LOC or CD must be maintained in a secure area in the office in a locked, fireproof safe with limited access to employees. Since a LOC and CD are negotiable instruments, they must be safely secured at all times. If the Field Office does not have such facilities, prepare a cover memorandum and forward the LOC or CD by registered mail to the SO Fluid Lease Adjudication Section for safekeeping in the State Office (see Illustration 41). | SAFEGUARD LETTER OF CREDIT OR CD IN LOCKED SAFE |
| | 8c | Forward memorandum, if required, for signature and transmittal to the State Office. | |
| | 9 | Route for ABSS/ALMRS Entry | |
| ABSS Entry ALMRS Entry | 10 | Enter Action Date: Date of decision accepting bond; DE 2960 Action Code 469/DE 2910 Action Code 909; Action Remarks: Effective date of bond (MM/DD/YYYY); and, in Case Recordation, also enter the BLM bond number; General Remarks (in Case Recordation): Type of bond and name of the obligor. | AUTOMATED NOTATION |
| | <p><u>NOTE:</u> The dates of all entries in the ABSS when accepting a bond must be the date of the decision of acceptance with the effective date shown in the Action Remarks.</p> | | |

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D. Termination of Statewide/Nationwide Exploration Bonds

| Responsible Official | Step | Action | Keywords |
|-------------------------|---|--|---|
| Receiving Official | 1. | Receive the letter or notice asking the BLM to cancel or terminate the exploration bond. Date/time stamp and forward to Adjudication. | EXPLORATION BOND TERMINATION REQUEST |
| ABSS Entry | 2. | Access the ABSS: | AUTOMATED NOTATION |
| | 2a | Enter Action Date: Date bond termination request received; DE 2960 Action Code 472; Action Remarks: Enter whether partial or total termination requested. | |
| Adjudication | 3. | If request is from the surety, advise principal/obligor that request for cancellation has been received from surety, and request a list of all locations from the principal where it has conducted exploration operations. Advise the principal that reports are being requested from the appropriate BLM offices prior to consideration for termination of the period of liability of the bond. | REQUEST LIST OF EXPLORATION LOCATIONS FROM PRINCIPAL/ OBLIGOR |
| | 3a. | Send a copy to the surety, if a surety bond (see Illustration 42). | |
| | 4. | Request reports from appropriate BLM offices (see Illustration 43). | FIELD OFFICE REPORT REQUEST |
| | NOTE: The Bond Bulletin Board of the ABSS must be used to communicate to all other BLM State Offices requesting reports concerning termination of the period of liability of nationwide bonds. If, however, a reasonable length of time has passed with no response on the Bond Bulletin Board from an office or offices, make a written contact with those offices to determine what problems may exist. No action to terminate a bond can be taken prior to all appropriate offices concurring in the termination of a nationwide bond. | | |

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| Responsible Official | Step | Action | Keywords |
|-------------------------|------|---|--|
| | 5. | Upon receipt of all reports: If all appropriate offices consent to termination of the period of bond liability, prepare a decision terminating the period of liability effective the date of the last report received (see Illustration 44) and Step X.E.3, below. | TERMINATION OF PERIOD OF LIABILITY APPROVED |
| | 5b. | If objection to bond termination is received, advise the principal and surety by a decision. Indicate the reasons for objection and specify which BLM office to contact in order to secure consent for termination of the period of liability on the bond (see Illustration 45). | BOND TERMINATION NOT APPROVED |
| | 6 | After the decision is signed, distribute to the principal and surety (c/o attorney-in-fact). Route for ABSS Entry | |
| ABSS Entry | 8. | Enter in the ABSS: Enter Action Date: Date of decision terminating period of liability of bond; DE 2960 Action Code 473; Action Remarks: Indicate effective date of termination of period of bond liability; or 8b. Enter Action Date: Date bond termination denied; DE 2960 Action Code 476; Action Remarks: Enter effective date (MM/DD/YYYY); General Remarks: Reason for denial (if known). | AUTOMATED NOTATION |
| Adjudication | 9 | If the bond was a Treasury bond, note, or bill, follow the procedures in Section V.E, above, for returning the collateral from the BLM Negotiable Securities Custodian (BC-610). | |

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E. Termination of Individual Exploration Bonds

| Responsible Official | Step | Action | Keywords |
|---|------|---|---|
| Field Office Receiving Official | 1. | Receive letter or notice asking the BLM to cancel or terminate the exploration bond. Date/time stamp and forward to Field Office Applications Examiner/Land Law Examiner. | EXPLORATION BOND TERMINATION REQUEST |
| ABSS Entry ALMRS Entry | 2 | In the ABSS and in Case Recordation: 2a Enter Action Date: Date bond termination request received; DE 2960 Action Code 472/DE 2910 Action Code 377. | AUTOMATED NOTATION |
| Adjudication/ Applications Examiner | 3. | Check whether Notice of Completion (NOC) has been filed. Within 90 days of the filing of the NOC, the BLM must notify the party who filed the NOC of the need for additional action by the operator to rehabilitate the lands, if any. If the NOC is more than 90 days old, and a notice has not been sent to the operator, in accordance with the regulations at 43 CFR 3154.3 "... [L]iability for that particular exploration operation shall automatically terminate. " (See also <u>Insurance Company of North America</u> , 120 IBLA 384 (1991). | NOTICE OF COMPLETION FILED BOND LIABILITY AUTOMATICALLY TERMINATES 90 DAYS AFTER NOC FILED IF BLM FAILS TO SEND NOTICE OF ADDITIONAL NEEDED ACTIONS |
| | 4. | If the location has been inspected and bond liability may be released, prepare a decision terminating the period of liability of the individual bond (see Illustrations 46 or 47). | TERMINATION OF PERIOD OF LIABILITY APPROVED |
| | 5. | If the bond filed in the Field Office is a personal bond, the collateral for the bond must be returned from the BLM Negotiable Securities Custodian (BC-610) through the SO Fluid Lease Adjudication for return to the obligor (see Illustrations 48, 49, and 50). | BOND COLLATERAL RETURNED ON PERSONAL BOND |

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| Responsible Official | Step | Action | Keywords |
|---------------------------|------|---|-----------------------|
| | 6. | Forward decision (and memoranda, if required) for signature. After signature, distribute and route for ABSS/ALMRS Entry. | |
| ABSS Entry ALMRS Entry | 7. | Enter in the ABSS and Case Recordation: | AUTOMATED NOTATION |
| | 7a. | Enter Action Date: Date of decision terminating period of liability of bond; DE 2960 Action Code 473/DE 2910 Action Code 378; Action Remarks: Indicate the effective date of termination of bond liability period; or | |
| | 7b. | Enter Action Date: Date bond termination denied; DE 2960 Action Code 476/DE 2910 Action Code 463; Action Remarks: Enter effective date (MM/DD/YYYY); General Remarks: Reason for denial. | |

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